



ANNUAL REPORT 1971

REGISTERED OFFICE

1134 Burrard Street, Vancouver, B.C.

BOARD OF DIRECTORS

W. E. BELLMAN President, Q Broadcasting Ltd., Vancouver

J. E. STARK Vice-President, Q Broadcasting Ltd., Vancouver

M. L. FOISY Vice-President, Q Broadcasting Ltd., Vancouver

N. L. HULLAH Vice-President, Q Broadcasting Ltd., Vancouver

J. G. LAMB Director, A. E. Ames & Co. Ltd., Vancouver

A. B. CLIFF President, Wescorp Industries Ltd., Vancouver

R. H. CLARE Secretary-Treasurer, Northern Hardware Furniture Co. Ltd., Prince George

OFFICERS

W. E. BELLMAN President, Chief Executive Officer

J. E. STARK Vice-President - Finance, Secretary-Treasurer

M. L. FOISY Vice-President - Programming (Vancouver)

N. L. HULLAH Vice-President - Sales (Vancouver)

TRANSFER AGENTS

MONTREAL TRUST COMPANY, Vancouver

AUDITORS

THORNE, GUNN, HELLIWELL & CHRISTENSON, Vancouver





W. E. BELLMAN

PRESIDENT'S REPORT

This past fiscal year ending August 31st, 1971, has been a most frustrating twelve months.

First of all a word of explanation regarding the length of time we have taken to publish this annual report.

Almost two years ago your company entered into an agreement to purchase all of the shares of South Okanagan Television Holdings Ltd., a company which owns and operates the largest cable system in the Interior of British Columbia.

Following numerous delays and uncertainties regarding the future of cable in Canada, the application was finally heard at a public hearing of the Canadian Radio and Television Commission in Ottawa towards the end of November 1971.

Under the terms of our purchase agreement, approval would have resulted in consolidation of the earnings of both companies including all of fiscal 1971.

As I reported to you in my letter to shareholders dated February 2nd 1972, the application was denied.

Needless to say we were very surprised and disappointed at this decision for it represented, of necessity, a considerable amount of both time and money expended over a lengthy period.

It was not possible to proceed with publication of our audited year end report prior to clarification of this application.

Q Broadcasting Ltd. owns and operates Radio Stations CHQM and CHQM-FM Stereo, Vancouver; Radio Station CKPG, Television Station CKPG-TV, Prince George, B.C., and Q Music, the largest background music service in the Province of British Columbia.

Gross revenues of your company for the twelve month period ending August 31st, 1971 were \$2,282,529 compared to \$2,399,667 the preceding year. Net profits were \$203,010 compared to \$275,603 in 1970.

The biggest single factor contributing to this disappointing comparison is the very inflationary period in 1970 when Pacific Press Ltd. suspended publication of both daily newspapers in Vancouver for a period of ninety days. Obviously these revenue figures were difficult to surpass during the following year. Radio Stations CHQM and CHQM-FM in Vancouver contribute the major share of the profits of this company.

A complete reorganization of our radio and television operations in Prince George is producing very gratifying results.

The introduction of a new Radio Station in Prince George resulted in increased competition for CKPG. Increased competition also came from our own Television Station CKPG-TV.

Television Station CKPG-TV under separate and vigorous management has enjoyed a very satisfactory increase in revenue.

The full effects of this reorganization appeared only in the closing months of the fiscal year and will have a beneficial effect on fiscal 1972.

Concurrent with the arrival of this annual report is a report to shareholders covering the first quarter of fiscal 1972, the three month period ending November 30th, 1971.

While earnings for the second quarter ending February 29th, 1972 will be less dramatic than the 57% increase experienced in our first quarter, they will be substantial. Sales already booked for the second half of this year are dramatically ahead of the same date last year.

As a closing note I am pleased to advise you that your board of directors at a recent meeting approved a motion that the company pay a 20¢ annual dividend for the current fiscal year ending August 31st, 1972. This dividend is payable quarterly on the last day of each quarter to shareholders of record of Q Broadcasting Ltd. 15 days prior to that date.



W. E. BELLMAN
President

CHQM Vancouver

The radio business in Vancouver is a fiercely competitive one. There are seven AM stations and five FM stations plus dozens of both AM and FM stations from outside communities competing for the attention of a potential audience of well over a million people.

Radio programming has become a highly specialized art. On the AM dial you'll find three stations in Vancouver that talk most of the time, two stations competing for the youth audience, a varied service from the CBC . . . and CHQM.

CHQM was the original AM good music station in Canada and since we began operations in late 1959 there have been many stations across the country patterned after our sound, several with a Q in their call letters.

With the wide spread acceptance of FM Stereo Multiplex and the distribution of FM stations via cable the emphasis on music has swung more and more to FM. For this reason and our belief that there is a great need in Vancouver for better radio news an all out effort is being made to provide the best news and total information possible on CHQM.

During the past year the staff, services and facilities available to Q News have been greatly expanded. CBS News provides instantaneous international coverage around the world. Newsradio with headquarters in Ottawa and correspondents across Canada provides complete national news coverage while our own large staff of Q News reporters covers the scene in Vancouver.

Our Q News Director in Vancouver is Paul Taylor, a fully qualified electronic journalist, who spent several years covering the Ottawa scene for Newsradio as well as special assignments around the world.

Our two featured Q News editors are Andy Walsh, formerly with CJAD Montreal and Bill Gilmour, formerly with CFRB and CHFI Toronto.

Included in our total news coverage are frequent market reports from C. M. Oliver in Vancouver plus the New York,

Toronto and Montreal Stock Exchanges, Michael Ryan's "Business Analysis", Judy Lindsay's "Business World", Brad Keene's Sports Reports, John Paschold's Weather Forecasts, Perspective Editorials plus seasonal Boating, Golf, Curling and Ski Reports.

You may have noticed all our promotion and advertising of CHQM lately has featured Q News.

The steadily increasing share of audience as a result of this increased concentration on news has been reflected in every recent survey. We are confident that CHQM will soon become the dominant source of radio news in Vancouver.

CHQM-FM STEREO

If CHQM is striving to become the source of total information in this great Metropolis of Vancouver QM-FM is striving to provide a means of total escape. The emphasis is on music, beautiful music in stereo to attract the young and middle-aged adult who seeks relaxation and relief from the busy world with its problems and pressures.

The talk is limited. What there is consists of poetic praise of the beauties of nature, love and the world around us. The changing seasons are enjoyed and the music flows in uninterrupted segments. The news is limited to major newscasts and selected short features in the early morning, at noon and early evening.

Our reasons for this distinction from CHQM-AM are several. First we believe there is a real need for this type of programming on FM. More and more homes are becoming equipped with FM-Stereo receivers as are more and more automobiles. In some cases it is a totally different audience than listens to AM Radio, in others it is a question of dividing their listening time between the escape which FM provides and the total information available from CHQM and Q News.

Currently both stations are sold in combination, but it is the desire and intention of Q Broadcasting Ltd. to totally separate the two stations with separate sales staff and program personnel for each station. In this way the total revenue for the two stations can be substantially increased.



Q MUSIC

Q Music is our background music service. It is not only the largest and fastest growing service of its kind in British Columbia but Q Music is also the second largest operation in this field in all of Canada.

Q Music serves its subscribers on the Mainland and Vancouver Island with either telephone lines or specially built FM Receivers. These receivers pick up Q Music from a subchannel on CHQM-FM Multiplex. The music is completely separate from our regular programming on the main channel.

Q Music varies constantly in tempo and type of music in keeping with the time of day and season of the year. You will hear Q Music in Vancouver's New International Airport, the Bentall Centre, Canada Safeway and Super Valu Stores, plus many offices, restaurants, banks, barber shops and even steam baths and a chicken hatchery within our coverage area.

Q Music is also available in Kelowna and Prince George.

With the huge building projects already under construction in Vancouver and the growing acceptance of background music as essential in both working and public areas we anticipate considerable growth in this division of your company.

CKPG and CKPG-TV Prince George

Numerous changes and ultimate improvements have been made during the past twelve months operation of our radio and television stations in Prince George.

Perhaps the most significant change came as a result of the decision to appoint a separate manager for each station and to make them totally competitive.

In the past, television sales suffered as a result of a combined operation. Operating expenses have increased at CKPG-TV but in recent months increases in revenue have exceeded our higher operating costs by a satisfactory margin.

With an aggressive management and sales force plus improved facilities, CKPG-TV should produce increased profits in 1972.

CKPG Radio has undergone a difficult year. With increased competition on two sides, our own television station plus a new radio station, sales were not up to the previous year. However, radio has been showing a new vitality in Prince George recently and we expect a much improved result during the coming year.



Q BROADCASTING LTD.
and subsidiary companies

**CONSOLIDATED STATEMENT
OF INCOME**

YEAR ENDED AUGUST 31, 1971
(with comparative figures for 1970)

	1971	1970
Gross revenue	\$2,282,529	\$2,399,667
Operating expenses	1,740,509	1,683,282
Income from operations	542,020	716,385
Add		
Interest earned	4,087	3,096
Gain on sale of fixed assets	2,859	2,179
	548,966	721,660
Deduct		
Interest and amortization of deferred finance fees	8,511	11,145
Depreciation and amortization	144,166	147,632
	152,677	158,777
Income before income taxes	396,289	562,883
Income taxes	193,279	287,280
NET INCOME FOR THE YEAR	\$ 203,010	\$ 275,603
EARNINGS PER SHARE (1970 – weighted average)	\$.48	\$.72

**CONSOLIDATED STATEMENT
OF RETAINED EARNINGS**

YEAR ENDED AUGUST 31, 1971
(with comparative figures for 1970)

	1971	1970
Retained earnings at beginning of year	\$ 727,208	\$ 493,155
Add net income for the year	203,010	275,603
	930,218	768,758
Deduct		
Dividends on		
Class A shares	42,400	—
Common shares	100	20,000
Cost of issuing shares less income taxes related thereto	—	21,550
	42,500	41,550
RETAINED EARNINGS AT END OF YEAR	\$ 887,718	\$ 727,208

Q BROADCASTING LTD.
and subsidiary companies

**CONSOLIDATED STATEMENT
OF SOURCE AND APPLICATION
OF FUNDS**

YEAR ENDED AUGUST 31, 1971
(with comparative figures for 1970)

	1971	1970
SOURCE OF FUNDS		
Net income for the year	\$ 203,010	\$ 275,603
Items not involving current funds		
Depreciation and amortization	144,166	147,632
Deferred income taxes	4,953	2,045
Deferred finance charges	5,409	4,660
	<u>357,538</u>	<u>429,940</u>
Share purchase deposit refundable	50,000	—
Proceeds from sale of fixed assets, net of gains thereon included in net income	6,154	13,272
Issue of capital stock	—	862,500
	<u>413,692</u>	<u>1,305,712</u>
APPLICATION OF FUNDS		
Additions to fixed assets	165,899	112,228
Reduction of long-term debt	24,774	33,219
Dividends	42,500	20,000
Increase in cash surrender value of life insurance	906	906
Share purchase deposit	—	50,000
Cost of issuing shares less income taxes related thereto	—	21,550
	<u>234,079</u>	<u>237,903</u>
INCREASE IN WORKING CAPITAL	179,613	1,067,809
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR	206,762	(861,047)
WORKING CAPITAL AT END OF YEAR	\$ 386,375	\$ 206,762

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**
YEAR ENDED AUGUST 31, 1971

1. CAPITAL STOCK

The company has established an incentive stock option plan for key employees pursuant to which 20,000 Class A shares have been reserved for allotment. At August 31, 1971 options were outstanding on 19,500 Class A shares exercisable at \$7.50. These options expire on January 6, 1976.

2. RETAINED EARNINGS

Included in retained earnings at August 31, 1971 and 1970 is capital surplus of \$10,000 arising pursuant to Section 63 of the Companies Act of British Columbia on redemption of preference shares.

3. DIRECTORS' REMUNERATION

Aggregate remuneration of directors, including amounts paid to directors who are also officers, amounted to \$138,958 for the year ended August 31, 1971.

AUDITORS' REPORT

To the Shareholders of
Q Broadcasting Ltd.

We have examined the consolidated balance sheet of Q Broadcasting Ltd. and subsidiary companies as at August 31, 1971 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at August 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
October 21, 1971

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

